

Annex 2 - Transmission Charge Restriction Conditions

1. Definitions

1.1. In this Annex:

“Allowed Related Party Margin” means the part (if any) of any Related Party Margin that provides for a reasonable and transparently calculated allowance for depreciation and return on capital in relation to assets to the extent that these are employed by the Related Party in the provision of relevant services to the Licensee and not otherwise included in the calculation of the Maximum Regulated Transmission Revenue or recoverable through the Licensee’s connection charges.

“Approved Generation Cluster Infrastructure” means infrastructure that has been approved by the Authority for the purposes of the arrangements set out in the Connection Charging Statement for funding generation cluster infrastructure partly through the Licensee’s RAB.

“Average Specified Rate” means the arithmetic mean of the daily base rates of Bank of England (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made.

“CPIHt” means the Consumer Prices Index including owner occupiers’ housing costs (L522: 2015 = 100) published by the Office for National Statistics (or successor body) for the October month in each Regulatory Reporting Year t and is therefore to be read such that: a reference to ‘CPIH t = 2022’ is to the CPIH figure for October 2021.

“CPIHtpb” means CPIHt = 2022.

“Connection Charging Statement” means the statement of charges for connection to the Licensee’s transmission system as prepared by the Licensee and approved by the Authority under Condition 22 hereof which is effective for the relevant period.

“Deferred Revenue Expenditure” means expenditure which is classified as capital expenditure for accounting purposes (because it gives rise to economic benefits over more than one year) but is not capital expenditure for tax purposes (because it does not create a sufficiently identifiable asset). For example, Deferred Revenue Expenditure may include the replacement of age-expired network components when (for tax purposes) the network as a whole is seen as a single asset.

“Demonstrably Inefficient or Wasteful Expenditure” means expenditure which the Authority has (in a published decision giving reasons) determined to be demonstrably inefficient and/or wasteful, given the information reasonably available to the Licensee at the time that the Licensee made the relevant decision about that expenditure. For the avoidance of doubt, no expenditure is Demonstrably Inefficient or Wasteful Expenditure simply by virtue of a statistical or quantitative analysis that compares very aggregated measures of the Licensee’s costs with the costs of other companies.

“ERDC” means early retirement deficit contributions.

“Excluded Services” means those services provided as part of the Transmission Owner Business which in accordance with the principles set out in paragraph 13 fall to be treated as Excluded Services.

“Final Determination” means the final determination paper, relating to the Licensee’s Transmission Charge Restriction Conditions, as published by the Authority on **30 October 2024**, taken together with supporting Annexes.

“Fuel Security Event” means a Fuel Security Event as defined in the Northern Ireland Fuel Security Code, published by the Department of Enterprise, Trade and Investment.

“HMRC” means HM Revenues and Customs or, in relation to any function of that body referred to in this Annex,

such other person as may (whether in relation to the United Kingdom as a whole or Northern Ireland) be allocated the role of performing that function after the commencement of **RP7**.

“Licensee’s Allowed Transmission Related Security Costs”

means any cost incurred by the Transmission Owner Business and approved by the Authority (in a published decision) as being an allowed security cost in accordance with the Northern Ireland Fuel Security Code (as that term is therein defined), but excluding any cost which forms part of:

- a) the allowed power procurement business related security costs; or
- b) the payments to generators in relation to services provided to the power procurement business during Fuel Security Events.

“Maximum Regulated Transmission Revenue”

means the maximum Regulated Transmission Revenue that the Licensee is entitled to recover in the Regulatory Tariff Year and the Regulatory Reporting Year (as the case may be) as calculated in accordance with the provisions of this Annex.

“New Energy Strategy IT Solution”

means a new information technology system that is required by the Licensee’s Transmission Owner Business for the purposes of implementing any new energy policy which:

- (a) is introduced by a competent authority; and
- (b) requires a change to be made to the specification of services provided by the Licensee’s Transmission Owner Business.

“Permitted One-Year Percentage”

means 4% of the Maximum Regulated Transmission Revenue.

“Permitted Three-Year Percentage”

means 5% of the Maximum Regulated Transmission Revenue in the second of the Regulatory Tariff years.

“Provision of Law”

means the following, to the extent that it applies to

or is binding on the Licensee:

- a) any enactment;
- b) any regulation made by the Council or the Commission of the European Union or any decision taken by the Commission **but only insofar as such regulation or decision has legal effect in Northern Ireland at the relevant time in accordance with any such treaty (or equivalent international law instrument) as may from time to time be agreed between the UK government and the European Union and ratified by each of them**;
- c) any interpretation of law, or finding, contained in any judgment given by a court or tribunal of competent jurisdiction in respect of which:
 - i. the period for making an appeal has expired and;
 - ii. no superior court or tribunal has reached a contrary interpretation or finding; and
- d) any direction of a competent authority other than the Authority or the Department.

“Regulatory Asset Base”

means one of the regulatory asset bases identified at paragraph 4.1.

“Regulatory Instructions and Guidance (RIGs)”

means the Regulatory Instructions and Guidance provided by the Authority, including guidance notes, reporting workbooks, commentary templates and assurance templates, as set out by the Authority, to capture various different types of information and data.

“Regulatory Reporting Year”

means a period of twelve months commencing on 1 April in any year and ending on 31 March in the year following its commencement.

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| “Regulatory Reporting Year t” | means the Regulatory Reporting Year which ends in year t, and is therefore to be read such that: a reference to ‘Regulatory Reporting year t = 2026’ is to the Regulatory Reporting Year ending on 31 March 2026; a reference to ‘Regulatory Reporting Year t-1’ means the Regulatory Reporting Year immediately preceding Regulatory Reporting Year t; and similar expressions are to be construed accordingly. | account. Where a captive insures more than the Licensee, then it’s profit/loss should be computed pro rata to the premiums paid by the Licensee to total premium income in the captive for the year and the movements on technical and IBNR reserves not attributable to the Licensee’s business must first be removed. |
| “Regulatory Tariff Year” | means a period of twelve months commencing on 1 October in any year and ending on 30 September in the immediately following year. | “Relevant Change of Law” |
| “Regulatory Tariff Year t” | means the Regulatory Tariff Year which ends in year t, and is therefore to be read such that: a reference to ‘Regulatory Tariff Year t = 2026 is to the Regulatory Tariff Year ending on 30 September 2026. | means any of the following, to the extent that it applies to or is binding on the Licensee: |
| “Regulated Transmission Revenue” | means the revenue (measured on an accruals basis) that is derived by the Licensee from Transmission Charges after deduction of value added tax (if any) and any other taxes based directly on the amount of the Transmission Charges. | <ul style="list-style-type: none"> e) the application of any Provision of Law that did not previously have effect; f) the amendment of or change to any Provision of Law that did previously have effect; and g) the revocation or cessation of any Provision of Law that did previously have effect. |
| “Related Party” | means both Affiliates and Related Undertakings of the Licensee as defined in Condition 1 of this licence. An Affiliate or Related Undertaking shall remain as a Related Party for the whole of the price control period even if it is no longer part of the group due to restructuring. | “RP6” |
| “Related Party Margin” | The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (excluding financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction. For Captive Insurance businesses the margin is to be computed based on the captive’s premium income less reinsurance premiums, claims paid out and movements on technical and IBNR reserves attributable to the Licensee’s business only, i.e. usually reported as the profits/loss on the Technical | means the period commencing on 1 October 2017 and ending on 31 March 2025. |
| | | “RP6 Financial Model” |
| | | means the document of that name, prepared and published by the Authority following consultation with the Licensee (which consultation may take place before or after this condition comes into force), which sets out the principles and methodology for determining the actual entitlement for RP6 in respect of each of the entitlement lines specified in the document. |
| | | “RP7” |
| | | means the period commencing on 1 March 2025 and ending on 31 March 2031. |
| | | “RP7 Financial Model” |
| | | means the document of that name, prepared and published by the Authority following consultation with the Licensee (which consultation may take place before or after this condition comes into force), which sets out the principles and methodology for determining the actual entitlement for RP7 in respect |

of each of the entitlement lines specified in the document.

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| “Shared Asset Charges” | means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement |
| “Specified Information” | means information (or a category of information) that is so described or defined at paragraph 12. |
| “Transmission Charge Restriction Conditions” | means the paragraphs set out in this Annex 2 as from time to time modified or replaced in accordance therewith or pursuant to Article 14, 14A, 14E or 18 of the Order, under the Energy Order, under the SEM Order or under the Directive Regulations. |
| “Transmission Charges” | means all charges for the provision of Transmission Services and for Wheeling. |
| “Transmission Connection Charging Methodology Statement” | means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority. |
| “Transmission Services” | means all services provided as part of the Transmission Owner Business other than the Excluded Services. |
| “Uncollected Revenue” | means, where the Licensee is not an affiliate of the system operator (such as SONI Limited, a body corporate registered in Northern Ireland under company number NI038715), any amount owed to the Licensee by that system operator in respect of Regulated Transmission Revenue which is to be included in the uncollected revenue amount in agreement with the Authority; plus the reasonable interest attributable to such amount, calculated in accordance with any such agreement. |
| “Unit” | means a kilowatt hour. |

2. Introductory Provisions

- 2.1. Where, for the purposes of complying with its obligation at paragraph 3.1 in relation to the setting of Transmission Charges, the Licensee forecasts the Maximum Regulated Transmission Revenue for any Regulatory Tariff Year t (or any data relevant to its calculation), it shall:
- have regard to any information notified to it by the Authority; and
 - where directed to do so by the Authority, base its forecast on any such information or make it in accordance with such methodology as the Authority may specify in the direction.
- 2.2. Unless the contrary is expressly stated:
- all monetary figures in this Annex are stated in 2021/22 prices which are determined at CPIH index for October 2021; and
 - all calculations for which provision is made in this Annex are to be carried out in nominal prices.

3. The Maximum Regulated Transmission Revenue

- 3.1. Without prejudice to paragraph 15, the Licensee shall with effect from 1 April 2025 use its best endeavours to set its Transmission Charges so as to ensure that, in each Regulatory Tariff Year t , the Regulated Transmission Revenue shall be equal to the Maximum Regulated Transmission Revenue for that Regulatory Tariff Year calculated in accordance with paragraph 3.3.

3.2. The Maximum Regulated Transmission Revenue for the Regulatory Tariff Year - $RP7T_t$

- 3.3. The Maximum Regulated Transmission Revenue for the Regulatory Tariff Year t shall be calculated as follows:

$$RP7T_t = (RP7R_t + RP7R_{t+1}) * 0.5$$

Where:

" $RP7T_t$ " means the Maximum Regulated Transmission Revenue for the Regulatory Tariff Year t ;

" $RP7R_t$ " means the Maximum Regulated Transmission Revenue for the Regulatory Reporting Year t , calculated in accordance with paragraph 3.5.

3.4. The Maximum Regulated Transmission Revenue for the Regulatory Reporting Year - $RP7R_t$

- 3.5. For the purposes of paragraph 3.3, the Maximum Regulated Transmission Revenue for the Regulatory Reporting Year t shall be calculated as follows:

$$RP7R_t = DEP_t + RET_t + BD_t + O_t + P_t + TAX_t + K_t$$

Where:

DEP_t means the depreciation amount in Regulatory Reporting Year t , calculated in accordance with paragraph 3.4;

RET_t means the return amount in Regulatory Reporting Year t , calculated in accordance with paragraph 5;

BD_t is the allowed opex amount (if any) in Regulatory Reporting Year t , for Uncollected Revenue, being the amount appropriate for the Licensee to recover in that Regulatory Reporting Year, in respect of Uncollected Revenue, less any amount or part of an amount treated as Uncollected Revenue in respect of a preceding Regulatory Reporting Year t that has been paid to the Licensee in Regulatory Reporting Year t ;

O_t means the opex amount in Regulatory Reporting Year t , calculated in accordance with paragraph 6;

P_t means the pension deficit amount in Regulatory Reporting Year t , calculated in accordance with paragraph 7;

TAX_t means the tax amount due in Regulatory Reporting Year t , calculated in accordance with paragraph 9;

and
 K_t

means the correction factor amount (whether a positive or negative number) calculated in accordance with paragraph 11.

4. The Regulatory Asset Bases - RAB_{Xt}

- 4.1. For the purposes of this Annex, there shall be, as set out in Table 1 below, the following Regulatory Asset Bases:

Table 1 - The Transmission Owner Business Regulatory Asset Bases

| RAB name | RAB_X |
|------------------|---------|
| Transmission RAB | RAB_TN |
| Renewables RAB | RAB_RN |
| 5 Year T.RAB | RAB_T5Y |

- 4.2. In this Annex, each Regulatory Asset Base is identified as a RAB, and RAB_X refers to a Regulatory Asset Base for which X represents the suffix assigned to that RAB at paragraph 4.1.

4.3. The Opening Regulatory Asset Base - $ORAB_{Xt}$

- 4.4. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the opening Regulatory Asset Base, $ORAB_{Xt}$, being the value of that Regulatory Asset Base at the beginning of Regulatory Reporting Year t, shall be defined as:

$$ORAB_{Xt} = OE_{Xt} + OADD_{Xt}$$

Where:

OE_{Xt} being the opening value of existing assets, calculated in accordance with paragraph 4.6; and

$OADD_{Xt}$ being the opening value of additional assets, calculated in accordance with paragraph 4.13.

4.5. The opening value of existing assets - OE_{Xt}

- 4.6. For the purposes of this Annex, in respect of Regulatory Reporting Year t = 2026, for each RAB_X , the opening value of existing assets (OE_{X2026}) shall be calculated as follows:

$$OE_{X2026} = CE_{X2025} + CADD_{X2025} \cdot CPIHt/CPIHt-1$$

Where:

CE_{X2025} is, for each RAB_X , the closing value of existing assets for Regulatory Reporting Year t = 2025, as calculated in accordance with paragraph 4.9 of Annex 2 of the Licence in effect on XX XXXXX 2025.

$CADD_{X2025}$ is, for each RAB_X , the closing value of additional assets for Regulatory Reporting Year t = 2025, as calculated in accordance with paragraph 4.15 of Annex 2 of the Licence in effect on the 31 March 2025 within the RP6 Financial Model including conversion to CPIH.

4.7. For the purposes of this Annex, in each Regulatory Reporting Year t other than t = 2026, and for each RAB_X the opening value of existing assets (OE_Xt) shall be calculated as follows:

$$OE_{X_t} = (CE_{X_{t-1}}) * CPIH_t / CPIH_{t-1}$$

Where:

CE_Xt is the closing value of existing assets, calculated in accordance with paragraph 4.9.

4.8. The closing value of existing assets - CE_Xt

4.9. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the closing value of existing assets (CE_Xt) being the value of the existing assets in that RAB at the end of Regulatory Reporting Year t, shall be calculated as follows:

$$CE_{X_t} = OE_{X_t} - FDEP_{X_t}$$

Where:

OE_Xt is the opening value of existing assets calculated in accordance with paragraph 4.6; and

FDEP_Xt is the fixed depreciation amount, calculated in accordance with paragraph 4.11.

4.10. The fixed depreciation amount - FDEP_Xt

4.11. For the purposes of this Annex, in each Regulatory Reporting Year t, and for each RAB_X, the fixed depreciation amount (FDEP_Xt) means the amount representing depreciation of assets acquired pre 31 March 2025 and shall be calculated as follows:

$$FDEP_{X_t} = (FDEP_{RP7_{X_t}}) * CPIH_t / CPIH_{tp6}$$

Where:

FDEP_RP7_Xt is, for each RAB_X, the fixed depreciation amount in Regulatory Reporting Year t, as calculated by the Authority in accordance with the Licence in effect on the 31 March 2025 within the RP6 Financial Model including conversion to CPIH.

4.12. The opening value of additional assets - OADD_Xt

4.13. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the opening value of additional assets (OADD_Xt) shall be:

a) 0 (zero) in Regulatory Reporting Year t = 2026; and

b) in each subsequent Regulatory Reporting Year t, calculated as follows:

$$OADD_{X_t} = (CADD_{X_{t-1}}) * CPIH_t / CPIH_{t-1}$$

Where:

CADD_Xt-1 means the closing value of additional assets in the previous Regulatory Reporting Year, calculated in accordance with paragraph 4.15.

4.14. The closing value of additional assets - CADD_Xt

4.15. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the closing value of additional assets (CADD_Xt) shall be calculated as follows:

$$CADD_{X_t} = OADD_{X_t} + QCE_{X_t} - DIQCE_{X_t} + PTCE_{X_t} - DIPTCE_{X_t} - DEPADD_{X_t} - CD_{X_t} + CI_{X_t}$$

Where:

OADD_Xt means the opening value of additional assets calculated in accordance with paragraph 4.13;

QCE_Xt means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

DIQCE_Xt means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19;

PTCE_Xt means the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

DIPTCE_Xt means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 4.24;

DEPADD_Xt means the depreciation amount for additional assets, calculated in accordance with paragraph 4.26;

CD_Xt means the capex disposal amount, calculated in accordance with paragraph 4.29; and

CI_Xt means the capex incentive amount, calculated in accordance with paragraph 4.31.

4.16. **The qualifying capex expenditure amount - QCE_{Xt}**

4.17. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the qualifying capex expenditure amount (QCE_{Xt}) shall:

- a) be the value of capex incurred by the Licensee (excluding any costs included in the calculation of PTCE_{Xt}) reasonably allocated or attributed to:
 - i. the Transmission Owner Business;
 - ii. the Regulatory Reporting Year t; and
 - iii. RAB_X; and
- b) exclude any amounts reasonably allocated or attributed to any of the following:
 - i. pension deficit repair contributions;
 - ii. the net costs (or net contributions) relating to: activities or services subject to the Licensee's connection charges such that the exclusion is consistent with the Licensee's Connection Charging Statement; or any other activities or services that are treated as Excluded Services for the purposes of this Annex;
 - iii. any costs recharged by the Licensee to associated businesses or related parties;
 - iv. any positive Related Party Margin (but excluding any Allowed Related Party Margin) that is charged to the Licensee by a Related Party;
 - v. any Uncollected Revenue; and
 - vi. other costs of any description which the Authority may determine in a published decision from time to time are manifestly unreasonable to include in the qualifying capex expenditure amount.

4.18. **Demonstrably inefficient qualifying capex expenditure - DIQCE_{Xt}**

4.19. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, demonstrably inefficient qualifying capex expenditure (DIQCE_{Xt}) shall be the part (if any) of QCE_{Xt} that is Demonstrably Inefficient or Wasteful Expenditure.

4.20. **The pass through capex expenditure amount - PTCE_{Xt}**

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the pass through capex expenditure amount (PTCE_{Xt}), shall:

- a) be the value of capex incurred by the Licensee (excluding QCE_{Xt}) reasonably allocated or attributed to:
 - i. the Transmission Owner Business;
 - ii. the Regulatory Reporting Year t; and
 - iii. RAB_X; and

b) be calculated as follows:

$$PTCE_{Xt} = CC_{Xt} + CCSA_{Xt}$$

Where:

CC_{Xt} means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- i. Approved Generation Cluster Infrastructure.

CCSA_{Xt} means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.

4.22. The value of CCSA_{Xt} in each Regulatory Year t and for each RAB_X shall be that which the Authority considers appropriate, and for these purposes:

- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex or of Annex 2 in the successor distribution licence;
- b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
- c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
- d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

4.23. **Demonstrably inefficient pass through capex expenditure - DIPTCE_{Xt}**

4.24. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, demonstrably inefficient pass through capex expenditure (DIPTCE_X_t) shall be the part (if any) of PTCE_X_t that is Demonstrably Inefficient or Wasteful Expenditure.

4.25. The depreciation amount for additional assets - DEPADD_X_t

4.26. For the purposes of paragraph 4.15, in each Regulatory Reporting Year t and for each RAB_X, the depreciation amount for additional assets (DEPADD_X_t) shall be calculated as follows:

a) in Regulatory Reporting Year **t=2026**:

$$DEPADD_X_t = 0.5 * DEPN_X_t$$

b) in each other Regulatory Reporting Year t :

$$DEPADD_X_t = 0.5 * DEPN_X_t + (DEPADD_X_{t-1} + 0.5 * DEPN_X_{t-1}) * CPIH_t / CPH_{t-1}$$

subject to a limitation on the value of DEPADD_X_t to ensure that the cumulative depreciation (up to and including Regulatory Reporting Year t) in respect of any past value of DEPN_X does not represent excessive depreciation given the depreciation and RAB policies reflected in this Annex, including the CPIH indexation of the RAB.

4.27. For the purposes of paragraph 4.26, DEPN_X_t is the full year depreciation for net assets added to RAB_X in Regulatory Reporting Year t and shall be calculated as follows:

$$DEPN_X_t = (QCE_X_t - DIQCE_X_t + PTCE_X_t - DIPTCE_X_t - CD_X_t + CI_X_t) * DEPR_X$$

Where:

QCE_X_t means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

DIQCE_X_t means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19;

PTCE_X_t means the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

DIPTCE_X_t means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 4.24;

CD_X_t means the capex disposal amount, calculated in accordance with paragraph 4.29;

CI_X_t means the capex incentive amount, calculated in accordance with paragraph 4.31; and

DEPR_X is the depreciation rate for each RAB_X as set out in Table 2 below:

Table 2 - The Transmission Owner Business depreciation rate for each RAB_X

| RAB_X | Depreciation rate (DEPR_X) |
|---------|----------------------------|
| RAB_TN | 3% |
| RAB_RN | 3% |
| RAB_T5Y | 20% |

4.28. The capex disposal amount - CD_X_t

4.29. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the capex disposal amount (CD_X_t) shall be calculated as follows:

$$CD_X_t = OCD_X_{t-5} * CPH_t / CPH_{t-5}$$

Where:

OCD_X_t means the outturn capex disposal amount, during Regulatory Reporting Year t, the value of which constituted part of RAB_X, being the proceeds of the disposal of any relevant asset/s (including Land, Buildings, Plant, Equipment, but not comprising Land Bank premises or scrap) minus any costs of such disposal that were reasonably incurred by the Licensee.

4.30. The capex incentive amount - CI_X_t

4.31. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the capex incentive amount (CI_X_t) is a sum designed to share equally between the Licensee and customers the value of any outperformance or underperformance of the Licensee against its capex allowances and shall be calculated as follows:

$$CI_X_t = (AC_X_t + ACTR_X_t - (QCE_X_t - DIQCE_X_t)) * 50%$$

Where:

AC_X_t is the allowed capex for RAB_X for Regulatory Reporting Year t;

ACTR_X_t is the allowed capex (if any) in an amount determined by the Authority (in a published decision giving reasons) to be appropriate in accordance with paragraph 4.40;

QCE_X_t is the qualifying capex expenditure amount determined in accordance with paragraph 4.17; and

DIQCE_X_t means the demonstrably inefficient qualifying capex expenditure amount calculated in accordance with paragraph 4.19.

4.32. Allowed capex for Transmission RAB - AC_TN_t

4.33. For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed capex (AC_TN_t) amounts shall be calculated as follows:

$$AC_TN_t = (AC_FD_TN_t * CPH_t / CPH_{t(bo)}) * CRPEPF_t$$

Where:

AC_FN_TN_t is the allowed capex amount, for RAB_TN and for each Regulatory Reporting Year t, before adjusting for capex real price effect & productivity factor, and excluding any additional allowed capex (ACTR_Xt) determined under paragraph 4.48, and shall be equal to the amounts specified in Table 3 below.

CRPEPF_t is the capex real price effect & productivity factor for each Regulatory Reporting Year t, and shall be calculated in accordance with paragraph 4.43.

Table 3 - The Transmission Business allowed capex determined amount for RAB_FD_TN for each Regulatory Reporting Year t (£ million, 2022 prices)

| Year | t=2026 | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 |
|-----------|--------|--------|--------|--------|--------|--------|
| RAB_FD_TN | 18.460 | 19.420 | 23.971 | 23.382 | 21.636 | 21.634 |

4.34. Allowed capex for Renewables RAB - AC_RN_t

4.35. For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed capex (AC_RN_t) amounts shall be calculated as follows:

$$AC_RN_t = (AC_FD_RN_t * CPIH_t / CPIH_{t(b)}) * CRPEPF_t$$

Where:

AC_FD_RN_t is the allowed capex amount, for RAB_RN and for each Regulatory Reporting Year t, before adjusting for capex real price effect & productivity factor, and excluding any additional allowed capex (ACTR_Xt) determined under paragraph 4.48, and shall be equal to the amounts specified in Table 3 below.

CRPEPF_t is the capex real price effect & productivity factor for each Regulatory Reporting Year t, and shall be calculated in accordance with paragraph 4.43.

Table 4 - The Transmission Business allowed capex determined amount for RAB_FD_RN for each Regulatory Reporting Year t (£ million, 2022 prices)

| Year | t=2026 | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 |
|-----------|--------|--------|--------|--------|--------|--------|
| RAB_FD_RN | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

4.36. Allowed capex for 5 Year T.RAB - AC_T5Y_t

4.37. For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed capex (AC_T5Y_t) amounts shall be calculated as follows:

$$AC_T5Y_t = (AC_FD_TY5_t * CPIH_t / CPIH_{t(pb)}) * CRPEPF_t$$

Where:

AC_T5Y_t is the allowed capex amount, for RAB_T5Y and for each Regulatory Reporting Year t, before adjusting for capex real price effect & productivity factor, and excluding any additional allowed capex (ACTR_Xt) determined under paragraph 4.48, and shall be equal to the amounts specified in Table 3 below..

CRPEPF_t is the capex real price effect & productivity factor for each Regulatory Reporting Year t, and shall be calculated in accordance with paragraph 4.43.

Table 5 - The Transmission Business allowed capex determined amount for RAB_FD_T5Y for each Regulatory Reporting Year t (£ million, 2022 prices)

| Year | t=2026 | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 |
|------------|--------|--------|--------|--------|--------|--------|
| RAB_FD_T5Y | 2.240 | 2.613 | 0.363 | 0.341 | 0.342 | 0.343 |

4.38. Additional allowed capex - ACTR_X_t

4.39. $ACTR_X_t = ACTR_Xt * CPIHt / CPIHtpb$

4.40. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the additional allowed capex (ACTR_X_t) is the sum of:

- a) the allowed capex (if any) amount in Regulatory Reporting Year t, for the net zero reopener, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of for the net zero reopener;
- b) the allowed capex (if any) amount in Regulatory Reporting Year t, for any SONI asset transfer, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any transfer of existing transmission assets from SONI to NIE Networks;
- c) the allowed capex (if any) amount in Regulatory Reporting Year t, for development of the Operational Network Telecoms, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of development a capacity of the Operational Network Telecoms as follows:
 - expenditure associated with planning and design of the Operational Network Telecoms (OTN) for any new telecoms standard such as the long-term evolution

(LTE) standard;

- expenditure associated with the delivery of any new telecoms standard such as the long-term evolution (LTE) standard;
 - expenditure associated with expansion of the capacity of the Operational Network Telecoms (OTN) in line with operational needs in respect of interactions with low carbon technology and digitalization.
- d) the allowed capex (if any) amount in Regulatory Reporting Year t, for trials undertaken to assess and demonstrate innovative future investment in the transmission system, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any trials undertaken to assess and demonstrate innovative future investment in the transmission system;
- e) the allowed capex (if any) amount in Regulatory Reporting Year t, for any project to address transmission system capacity or capability, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any project to address transmission system capacity or capability;
- f) the allowed capex (if any) amount in Regulatory Reporting Year t, for any project to address large scale asset replacement, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any project to address transmission system capacity or capability;
- g) the allowed capex (if any) amount in Regulatory Reporting Year t, for additional IT investment from and including year t = 2028, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of additional IT investment from the year t = 2028 in line with the approach set out in Annex W of the Final Determination;
- h) the allowed capex (if any) amount in Regulatory Reporting Year t, for injurious affection, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of injurious affection claims;
- i) the allowed capex (if any) amount in Regulatory Reporting Year t, for changes of law, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of Relevant Change of Law, in accordance with paragraph 6.16

4.41. The value of $ACTR_X_t$ in each Regulatory Reporting Year t and for each RAB_X shall be that which the Authority considers appropriate, and for these purposes:

- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;
- b) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination;
- c) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the project submission;
- d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the project or trial, the delivery date or milestones to be achieved in relation to the project or trial and the consequences (including financial consequences in respect of the amount set out in the determination) for non-compliance with the delivery date or milestones;
- e) the net-zero reopener mechanism can only be initiated by the Authority following consideration of representations from NIE Networks and other stakeholders, and subject to a materiality threshold of £800,000;
- f) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the distribution system at times determined by the Authority to fall immediately after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;
- g) an allowance may be determined in respect of any project to address transmission system capacity or capability only if the project is sufficiently material and has been requested by the relevant system operator (e.g. SONI) in line with the Transmission Interface Arrangements, in a submission which is in such format and contains such information as may be specified by the Authority for that purpose (e.g. including whole life costs and benefits in an objective cost benefit analysis);
- h) no allowance may be determined in respect of any project to address large scale asset replacement to the extent to which it takes the form of asset replacement expenditure which is not necessary for the purposes of increasing the capacity or capability of the transmission system;
- i) an allowance may be determined in respect of any project to address large scale asset replacement only if the project has been identified in the Final Determination as a project which falls within the scope of this category;
- j) an allowance may only be determined in respect of additional IT investment at times determined by the Authority to fall immediately in advance of year 3 (April 2027), in respect of submissions made by the Licensee at least 6 months in advance of that times.

4.42. The capex real price effect & productivity factor (CRPEPF_t)

4.43. For the purposes of this Section 4 (The Regulatory Asset Bases - RAB_{Xt}), the capex real price effect & productivity factor (CRPEPF_t) shall, for each Regulatory Reporting Year t be equal to the values set out in Table 5 below.

Table 6 - The Transmission Business capex real price effect & productivity factor for each Regulatory Reporting Year t

| Year | Real price effect & productivity factor (CRPEPF _t) |
|--------|----------------------------------------------------------------|
| t=2026 | 0.94546 |
| t=2027 | 0.94912 |
| t=2028 | 0.95162 |
| t=2029 | 0.94593 |
| t=2030 | 0.95027 |
| t=2031 | 0.95464 |

4.44. Capex amount for changes of law

4.45. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the allowed capex amount for changes of law, being the Relevant Change of Law capex amount (being a positive or negative figure), subject to a threshold of £125,000 for any one event (nominal terms for the duration of the RP7 period) determined by the Authority, for the purposes of this paragraph, in accordance with paragraphs 4.46 to 4.49.

4.46. For the purposes of paragraph 4.45, the calculation of the Relevant Change of Law capex amount shall occur when the Authority has determined that:

- a) there has been or will be a Relevant Change of Law;
- b) there has been or will be an amount (whether a positive or negative figure) that is directly attributable to the Relevant Change of Law; and
- c) having regard to all the circumstances, it is appropriate to include the amount within the calculation of the Relevant Change of Law capex amount in order to ensure that the financial position and performance of an efficient Licensee will be, so far as is reasonably practicable, the same as if the Relevant Change of Law had not taken place.

4.47. The Authority may make a determination in accordance with paragraph 4.46:

- a) on an application made to it by the Licensee; or

b) otherwise, following consultation with the Licensee.

4.48. An application made to the Authority by the Licensee pursuant to paragraph 4.46 shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the Regulatory Reporting Years in respect of which the Licensee wishes that cost or revenue to be included in the calculation of the Relevant Change of Law capex amount.

4.49. Where the Authority determines that an anticipated cost or revenue is appropriate for inclusion in the calculation of the Relevant Change of Law capex amount in one or more Regulatory Reporting Years, it shall specify the value to be attributed to that cost or revenue in respect of each Regulatory Reporting Year.

4.50. The depreciation amount - DEP_t

4.51. For the purposes of this Annex, in each Regulatory Reporting Year t, the depreciation amount (DEP_t) shall be calculated as follows:

$$DEP_t = \sum_{AllRAB_X} (DEPADD_{X_t} + FDEP_{X_t})$$

Where:

\sum_{AllRAB_X} means the summation of the values for all Regulatory Asset Bases;

DEPADD_{X_t} means the depreciation amount for additional assets for each RAB_X, calculated in accordance with paragraph 4.26; and

FDEP_{X_t} means the fixed depreciation amount for each RAB_X, calculated in accordance with paragraph 4.11.

5. The return amount - RET_t

5.1. For the purposes of this Annex, in Regulatory Reporting Year t, the return amount (RET_t) is calculated as follows:

$$RET_t = \sum_{All\ RAB_X} (ORAB_X_t + CRAB_X_t) / 2 * AVWACC_t$$

Where:

$\sum_{All\ RAB_X}$ means the summation of the values for every Regulatory Asset Base, RAB_X;

ORAB_{X_t} means the opening Regulatory Asset Base in respect of each RAB_X in Regulatory Reporting Year t, has the value established in accordance with paragraph 4.4;

CRAB_{X_t} means the closing Regulatory Asset Base in respect of each RAB_X in Regulatory Reporting Year t, and is equal to:

$$CE_{X_t} + CADD_{X_t}$$

Where:

CE_{X_t} is the closing value of existing assets, and has the value calculated in accordance with paragraph 4.9; and

CADD_{X_t} is the closing value of additional assets, and has the value calculated in accordance with paragraph 4.15.

AVWACC_t means the adjusted vanilla weighted average cost of capital in Regulatory Reporting Year t, and shall be calculated as follows:

$$AVWACC_t = \frac{VWACC_t}{\sqrt{(1 + VWACC_t)}}$$

Where:

VWACC_t means the vanilla weighted average cost of capital in Regulatory Reporting Year t and has a value equal to the value specified in **Annex I of the RP7 Final Determination (in accordance with the provisions of Annex H** of the RP7 Final Determination), as amended from time to time by the Authority in accordance with the provisions of Annex I and notified to the Licensee.

6. The opex amount - O_t

6.1. For the purposes of paragraph 3.5, in each Regulatory Reporting Year t, the opex amount (O_t) shall be calculated as follows:

$$O_t = QOE_t - DIQOE_t + PTOE_t - DIPTOE_t + OI_t$$

Where:

QOE_t means the qualifying opex expenditure amount, calculated in accordance with paragraph 6.3;

DIQOE_t means the demonstrably inefficient qualifying opex expenditure amount, calculated in accordance with paragraph 6.5 **and in accordance with the Authority's Guidance on the interpretation and application of the Demonstrably Inefficient or Wasteful Expenditure (DIWE) Provision;**

PTOE_t means the pass through opex expenditure amount, calculated in accordance with paragraph 6.7;

DIPTOE_t means the demonstrably inefficient pass through opex expenditure amount, calculated in accordance with paragraph 6.9 **and in accordance with the Authority's Guidance on the interpretation and application of the Demonstrably Inefficient or Wasteful Expenditure (DIWE) Provision;** and

OI_t means the opex incentive amount in Regulatory Reporting Year t, calculated in accordance with paragraph 6.11.

6.2. The qualifying opex expenditure amount - QOE_t

6.3. For the purposes of this Annex, in each Regulatory Reporting Year t, the qualifying opex expenditure amount (QOE_t), shall:

a) be the value of opex incurred by the Licensee (excluding PTOE_t) reasonably allocated or attributed to:

- i. the Transmission Owner Business; and
- ii. the Regulatory Reporting Year t; and

b) exclude any amounts reasonably allocated or attributed to any of the following:

- i. pension deficit repair contributions;
- ii. the net costs (or net contributions) relating to: activities or services subject to the Licensee's connection charges such that the exclusion is consistent with the Licensee's Connection Charging Statement; or any other activities or services that are treated as Excluded Services for the purposes of this Annex;
- iii. any costs recharged by the Licensee to associated businesses or related parties;
- iv. any positive Related Party Margin (but excluding any Allowed Related Party Margin) that is charged to the Licensee by a Related Party;

- v. any costs incurred by the Licensee as part of the PSO Agreement or otherwise recoverable under the restriction on the Licensee's PSO Charges;
- vi. any Uncollected Revenue; and
- vii. other costs of any description which the Authority may determine in a published decision from time to time are manifestly unreasonable to include in the qualifying opex expenditure amount.

6.4. **Demonstrably inefficient qualifying opex expenditure - DIQOE_t**

6.5. For the purposes this Annex, in each Regulatory Reporting Year t, DIQOE_t shall be the part (if any) of QOE_t that is Demonstrably Inefficient or Wasteful Expenditure.

6.6. **Pass through opex expenditure amount - PTOE_t**

6.7. For the purposes of this Annex, in each Regulatory Reporting Year t, the pass through opex expenditure amount (PTOE_t) shall:

a) be the value of opex incurred by the Licensee (excluding QOE_t) reasonably allocated or attributed to:

- i. the Transmission Owner Business; and
- ii. the Regulatory Reporting Year t; and

b) be calculated as follows:

$$PTOE_t = OLF_t + OC_t + OCSA_t + OBRA_t$$

Where:

OLF_t is the opex licence fee amount in Regulatory Reporting Year t, being the licence fee apportioned or allocated to or required from the Licensee under Condition 7 of this Licence;

OC_t means the opex connections amount in Regulatory Reporting Year t, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The opex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- i. Approved Generation Cluster Infrastructure

OCSA_t means the opex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of

Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.

The value of OCSA_t in each Regulatory Year t shall be that which the Authority considers appropriate, and for these purposes:

a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;

b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;

c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and

d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

OBRA_t the opex business rate amount in Regulatory Reporting Year t, being the payment by the company to Land and Property Service in respect of business rates, the rates payable by the Licensee in respect of hereditaments under the Valuation (Electricity) Order (Northern Ireland) 2003.

The value of OBRA_t in each Regulatory Year t may be reduced by the Authority to the extent that the Authority has concluded that the Licensee has not acted prudently and reasonably when challenging revaluations, maintaining good records and challenging rates bills, and for these purposes:

a) the Authority may follow such procedure as it considers appropriate prior to making any determination of an adjustment to the opex business rate amount; and

b) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination.

6.8. Demonstrably inefficient pass through opex expenditure - DIPTOE_t

6.9. For the purposes of this Annex, in each Regulatory Reporting Year t, DIPTOE_t shall be the part (if any) of PTOE_t that is Demonstrably Inefficient or Wasteful Expenditure.

6.10. The opex incentive amount - OI_t

6.11. For the purposes of this Annex, in each Regulatory Reporting Year t, the opex incentive amount (OI_t) is a sum designed to share equally between the Licensee and customers the value of any outperformance or underperformance of the Licensee against its opex allowances and shall be calculated as follows:

$$OI_t = (AO_t + AOO_t - (QOE_t - DIQOE_t)) * 50\%$$

Where:

AO_t is the allowed opex amount calculated in accordance with paragraph 6.13;

AOO_t is the allowed opex other amount calculated in accordance with paragraph 6.15;

QOE_t is the qualifying opex expenditure amount calculated in accordance with paragraph 6.3; and

DIQOE_t is the demonstrably inefficient qualifying opex expenditure amount calculated in accordance with paragraph 6.5.

6.12. Allowed opex amount - AO_t

6.13. For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed opex (AO_t) amounts shall be calculated as follows:

$$AO_t = AO_FD_t * CPIH_t / CPIH_{tpb} * ORPEPF_t$$

Where:

AO_{FDt} means the allowed opex amount, for each Regulatory Reporting Year t before adjusting for real price effect & productivity factor, and excluding any additional allowed opex (AOOt) determined under paragraph 6.15, and shall be equal to the amounts specified in specified in Table 7 below:

ORPEPF_t is the opex real price effect & productivity factor for each Regulatory Reporting Year t, and shall be calculated in accordance with paragraph 6.23.

Table 7 - The Transmission Owner Business allowed opex amount for each Regulatory Reporting Year t (£ million, 2022 prices)

| Year | t=2026 | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 |
|-------|--------|--------|--------|--------|--------|--------|
| AO_FD | 5.652 | 5.492 | 4.740 | 4.659 | 4.694 | 4.704 |

6.14. Allowed opex other amount - AOO_t

6.15. AOO_{X-t} = AOO_{Xt} * CPIH_t / CPIH_{tpb}

For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed opex other amount (AOO_t), is the sum of:

a) the allowed opex (if any) amount in Regulatory Reporting Year t, for the net zero reopener, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of for the net zero reopener;

b) the allowed capex (if any) amount in Regulatory Reporting Year t, for any SONI asset transfer, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any transfer of existing transmission assets from SONI to NIE Networks;

c) the allowed capex (if any) amount in Regulatory Reporting Year t, for development of the Operational Network Telecoms, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of development a capacity of the Operational Network Telecoms as follows:

- expenditure associated with planning and design of the Operational Network Telecoms (OTN) for any new telecoms standard such as the long-term evolution (LTE) standard;
- expenditure associated with the delivery of any new telecoms standard such as the long-term evolution (LTE) standard;
- expenditure associated with expansion of the capacity of the Operational Network Telecoms (OTN) in line with operational needs in respect of interactions with low carbon technology and digitalization.

d) the allowed opex (if any) amount in Regulatory Reporting Year t, for trials undertaken to assess and demonstrate innovative future investment in the distribution system, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of any trials undertaken to assess and demonstrate innovative future investment in the distribution system;

e) the allowed capex (if any) amount in Regulatory Reporting Year t, for additional IT investment from and including year t = 2028, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of additional IT investment from the year t = 2028 in line with the approach set out in Annex W of the Final Determination;

f) the allowed capex (if any) amount in Regulatory Reporting Year t, for injurious affection, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of injurious affection claims;

g) the allowed capex (if any) amount in Regulatory Reporting Year t, for changes of law, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year in respect of Relevant Change, in accordance with paragraph 6.16.

The value of AOOt in each Regulatory Reporting Year t shall be that which the Authority considers appropriate, and for these purposes:

a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;

b) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination;

c) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the project submission;

d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the project or trial, the delivery date or milestones to be achieved in relation to the project or trial and the consequences (including financial consequences in respect of the amount set out in the determination) for non-compliance with the delivery date or milestones;

e) the net-zero reopener mechanism can only be initiated by the Authority following

consideration of representations from NIE Networks and other stakeholders, and subject to a materiality threshold of £800,000;

f) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the distribution system at times determined by the Authority to fall immediately after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;

g) an allowance may only be determined in respect of additional IT investment at times determined by the Authority to fall immediately in advance of year 3 (April 2027), in respect of submissions made by the Licensee at least 6 months in advance of that times.

6.16. Opex amount for changes of law

6.17. For the purposes of this Annex, in each Regulatory Reporting Year t, the allowed opex amount for changes of law, being the Relevant Change of Law opex amount (being a positive or negative figure) determined by the Authority, subject to a threshold of £125,000 for any one event (nominal terms for the duration of the RP7 period), for the purposes of this paragraph, in accordance with paragraphs 6.18 to 6.21.

6.18. For the purposes of paragraph 6.17, the calculation of change of law shall occur when the Authority has determined that:

- a) there has been or will be a Relevant Change of Law;
- b) there has been or will be an amount (whether a positive or negative figure) that is directly attributable to the Relevant Change of Law; and
- c) having regard to all the circumstances, it is appropriate to include the amount within the calculation of change of law in order to ensure that the financial position and performance of an efficient Licensee will be, so far as is reasonably practicable, the same as if the Relevant Change of Law had not taken place.

6.19. The Authority may make a determination in accordance with paragraph 6.18:

- a) on an application made to it by the Licensee; or
- b) otherwise, following consultation with the Licensee.

6.20. An application made to the Authority by the Licensee pursuant to paragraph 6.18 shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the Regulatory Reporting Years in respect of which the Licensee wishes that cost or revenue to be included in the calculation of change of law.

6.21. Where the Authority determines that an anticipated cost or revenue is appropriate for inclusion in the calculation of change of law in one or more Regulatory Reporting Years, it shall specify the value to be attributed to that cost or revenue in respect of each Regulatory Reporting Year.

6.22. The opex real price effect & productivity factor (ORPEPF_t)

6.23. For the purposes of this Section 6 (The opex amount - O_t), the opex real price effect & productivity factor (ORPEPF_t) shall, for each Regulatory Reporting Year t be equal to the values set out in Table 7 below.

Table 8 - The Transmission Business opex real price effect & productivity factor for each Regulatory Reporting Year t

| Year | Real price effect & productivity factor (ORPEPF _t) |
|--------|----------------------------------------------------------------|
| t=2026 | 0.95571 |
| t=2027 | 0.95287 |
| t=2028 | 0.94972 |
| t=2029 | 0.93459 |
| t=2030 | 0.93418 |
| t=2031 | 0.93377 |

7. The pension deficit amount - P_t

7.1. For the purposes of this Annex, in each Regulatory Reporting Year t, P_t means the pension deficit amount, including the ERDC amount in Regulatory Reporting Year t, and shall be calculated as follows:

$$P_t = P_FD_t * CPIH_t / CPIH_{tpb}$$

Where:

P_{FD_t} means the pension deficit amount for each Regulatory Reporting Year t, and shall be equal to the amounts specified in specified in Table 9 below:

Table 9 - The Transmission Owner Business pension deficit amount for each Regulatory Reporting Year t (£ million, 2022 prices)

| Year | t=2026 | t=2027 | t=2028 | t=2029 | t=2030 | t=2031 |
|----------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Historic Deficit Repair | -4.700 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| ERDC Disallowance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Pension deficit amount P _{FD_t} | -4.700 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

8. NOT USED

9. The Tax Amount - TAX_t

9.1. For the purposes of paragraph 3.5, in Regulatory Reporting Year t, the tax amount (TAX_t) is calculated as follows in nominal prices:

$$TAX_t = TR_t / (1 - TR_t) * (RET_t + DEP_t - INT_t - CA_t)$$

Where:

- TR_t means the corporation Tax Rate applicable in Northern Ireland in Regulatory Reporting Year t, as specified from time to time by HMRC;
- RET_t means the return amount in Regulatory Reporting Year t, calculated in accordance with paragraph 5.1;
- DEP_t means the depreciation amount in Regulatory Reporting Year t, calculated in accordance with paragraph 4.51;
- INT_t means an amount equal to the Interest on the value of the average of all Regulatory Asset Bases, in Regulatory Reporting Year t and shall be calculated as follows:

$$INT_t = \sum_{All\ RAB\ X} \left(\frac{ORAB_{X_t} + CRAB_{X_t}}{2} \right) * G * NCOD$$

Where:

- $\sum_{All\ RAB\ X}$ means the summation of the values for all Regulatory Asset Bases;
- ORAB_{X_t} is the value of the opening Regulatory Asset Base for each RAB_X in Regulatory Reporting Year t, calculated in accordance with paragraph 4.4;
- CRAB_{X_t} is the value of the closing Regulatory Asset Base for each RAB_X in Regulatory Reporting Year t, calculated in accordance with paragraph 5.1;
- G means the notional gearing and has the value of 55%;
- NCOD means the notional nominal cost of debt in Regulatory Reporting Year t and has a value equal to the value specified in Annex I of the Final Determination Paper, (in accordance with the provisions of Annex H of the Final Determination) as amended from time to time by the Authority in accordance with the provision of Annex I and notified to the Licensee; and
- CA_t means, in each Regulatory Reporting Year t, an amount equal to the value of regulatory capital allowances in accordance with guidelines published by HMRC for the purposes of calculating Maximum Regulated Transmission Revenue in respect of that Regulatory Reporting Year, calculated on a notional basis, under the hypothetical assumptions that:
 - i. the regulatory capital allowances are , while considering 9.1.i, ii, and
 - iii immediately below, the capital allowances that would be applicable

if the Licensee's opex in Regulatory Reporting Year t were to be equal to O_t and the Licensee's capex in Regulatory Reporting Year t were to be equal to:

$$\sum_{All\ RAB_X} (QCE_{X_t} - DIQCE_{X_t} + PTCE_{X_t} - DIPTCE_{X_t} - CD_{X_t} + CI_{X_t})$$

Where:

$$\sum_{All\ RAB_X}$$

means the summation of the values for all Regulatory Asset Bases;

QCE_{X_t}

means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

$DIQCE_{X_t}$

means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19;

$PTCE_{X_t}$

means the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

$DIPTCE_{X_t}$

means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 4.23;

CD_{X_t}

means the capex disposal amount, calculated in accordance with paragraph 4.29; and

CI_{X_t}

means the capex incentive amount, calculated in accordance with paragraph 4.31; and

- i. the regulatory capital allowances are the maximum capital allowance available to the Licensee, irrespective of whether or not the Licensee chooses to utilise such allowances in full;
- ii. if the Licensee opts to defer capital allowance claims in respect of any capital allowance in any given year, the amount of capital allowance available in any subsequent year excludes any amounts for which claims were so deferred (to avoid double counting any capital allowance);
- iii. the regulatory capital allowances should include an appropriate allowance in relation to Deferred Revenue Expenditure which is, subject to i, ii, iii above and vi below, consistent with the Licensee's treatment of such expenditure for the purposes of its tax submissions to HMRC;
- iv. the regulatory capital allowances are, subject to i, ii, iii above and v below, calculated in a manner that is consistent with the Licensee's tax submissions to HMRC; and
- v. the opening written down values, for each of the tax capital allowance categories specified in [the RP7 Model](#), are those which are calculated

by the Authority in accordance with provisions of [the RP6 Model](#), as notified to the Licensee by the Authority.

10. Not Used

11. The correction factor amount - K_t

11.1. For the purposes of paragraph 3.5, the correction factor amount (K_t) shall be calculated as follows:

- a) in Regulatory Reporting Year $t = 2026$ i.e. regulatory reporting year ending 31 March 2026:

$$K_t = KRP6$$

Where:

$KRP6$ means the closing K factor for RP6 i.e. 31 March 2025 which will be calculated by the Authority in accordance with provisions of the RP6 Model, as notified to the Licensee by the Authority.

- b) in Regulatory Reporting Years $t = 2027, t = 2028$ and $t = 2029, t = 2030, t = 2031$:

$$K_t = (RP7R_{t-1} - ARP7_{t-1}) * (1 + I_t)$$

Where:

$RP7R_{t-1}$ means the Maximum Regulated Transmission Revenue, in Regulatory Reporting Year $t-1$;

$ARP7_{t-1}$ means the actual Regulated Transmission Revenue recovered through Transmission Charges in Regulatory Reporting Year $t-1$; and

I_t means the Average Specified Rate

12. Information to be provided to the Authority in connection with the Transmission Charge Restriction Conditions

12.1. Introduction

12.2. In addition to, and without prejudice to, the provisions of Condition 8 of the Licence, the Licensee shall, in relation to the Transmission Charge Restriction Conditions, furnish the Authority with Specified Information as set out in this paragraph 12.

12.3. Specified Information

12.4. The Licensee shall, subject to other provisions set out in the Licence and in this paragraph 12, provide to the Authority the following Specified Information:

- a) forecasts and/or estimates in accordance with paragraph 12.6, with regards to the setting of Transmission Charges;
- b) any explanation and/or statement as to whether or not the provisions at paragraph 12.11 are likely to be applicable, with regards to the restriction of Transmission Charges;
- c) information to comply with the Authority's Regulatory Instructions and Guidance (RIGs) in accordance with paragraph 12.15;
- d) information which provides a reconciliation of the values published in the accounting statements (referred to at Condition 2 of the Licence) for opex and capex with:
 - i. the qualifying opex expenditure amount (QOE_t) and the pass through opex expenditure amount (PTOE_t);
 - ii. the qualifying capex expenditure amount (QCE_{X,t}) for each RAB_X and the pass through capex expenditure amount (PTCE_{X,t}) for each RAB_X; and
 - iii. the cost information provided to comply with the Authority's RIGs in accordance with paragraph 12.15;
- e) information regarding pension deficits, in accordance with paragraph 12.20;
- f) information on historical revenues, including:
 - i. all data used in the calculation of the Licensee's Maximum Regulated Transmission Revenue, in accordance with paragraph 12.21;
 - ii. the revenue derived from Excluded Services (showing separately the revenue from each category of excluded service) in accordance with paragraph 13.6;
- g) information on network investment projects and volumes, including:
 - i. a forecast of the network investment for the RP7 price control period, in accordance with paragraph 12.25; and
 - ii. information on pre-funded costs, in accordance with paragraph 12.26;
 - iii. information on outturn RP6 projects and volumes, and planned RP6 projects and

iv. information on outturn RP6 projects and volumes, and planned RP6 projects and volumes in accordance with paragraph 12.29; and

- h) information on the Licensee's ESQCR compliance, in accordance with paragraph 12.32;
- i) information on tax, in accordance with paragraph 12.34; and
- j) the statutory accounts of any Related Party, in accordance with paragraph 12.37.

12.5. Unless otherwise specified in this Annex or the Licence, the Specified Information listed at paragraph 12.4 shall be submitted:

- a) for the time period as the Authority may reasonably require and as may be specified in directions issued by the Authority;
- b) by a date as the Authority may reasonably require and as may be specified in directions issued by the Authority;
- c) in a format as the Authority may reasonably require and as may be specified in directions issued by the Authority; and
- d) to the relevant employees of the Authority and to the electricity_networks_responses@uregni.gov.uk mailbox or subsequent equivalent mailbox.

12.6. Forecasts / estimates with regards to setting Transmission Charges

12.7. Where any change is intended to be made in Transmission Charges regulated under paragraph 3, the Licensee shall not later than 14 days prior to the time of publication of such change, provide the Authority with:

- a) a written forecast of the Maximum Regulated Transmission Revenue, together with its components, in respect of each Regulatory Reporting Year t upon which the intended change would affect;
- b) a written estimate of the Maximum Regulated Transmission Revenue, together with its components, in respect of each Regulatory Reporting Year prior to the first Regulatory Reporting Year t upon which the intended change would affect; and
- c) a written forecast of the over- or under-recovery in all future Regulatory Tariff Years for which the Licensee forecasts an over- or under- recovery.

12.8. If within 3 months of the commencement of any Regulatory Tariff Year t the Licensee has not made any such change in charges as is referred to in paragraph 12.7, the Licensee shall provide the Authority with:

- a) a written forecast of the Maximum Regulated Transmission Revenue, together with its components, in respect of each Regulatory Reporting Year upon which Regulatory Tariff Year t has an effect; and

- b) a written forecast of the over- or under-recovery in all future Regulatory Tariff Years for which the Licensee forecasts an over- or under- recovery.
- 12.9. Any forecast or estimate provided in accordance with paragraph 12.7 or 12.8 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
- 12.10. In addition, any forecast or estimate provided in accordance with paragraph 12.7 or 12.8 shall be published by the Licensee on the Licensee's website.
- 12.11. **Restriction of Transmission Charges**
- 12.12. If, in respect of any Regulatory Tariff Year commencing on or after **1 October 2025**, the Regulated Transmission Revenue exceeds the Maximum Regulated Transmission Revenue by more than the Permitted One-Year Percentage, the Licensee shall furnish an explanation to the Authority, and in the next following Regulatory Tariff Year, the Licensee shall not effect any increase in Transmission Charges unless it has demonstrated to the reasonable satisfaction of the Authority that the Regulated Transmission Revenue would not be likely to exceed the Maximum Regulated Transmission Revenue in that following Regulatory Tariff Year.
- 12.13. If, in respect of any three successive Regulatory Tariff Years commencing on or after **1 October 2025**, the sum of the amounts by which the Regulated Transmission Revenue has exceeded the Maximum Regulated Transmission Revenue, is more than the Permitted Three-Year Percentage, then in the next following Regulatory Tariff Year the Licensee shall, if required by the Authority, adjust its Transmission Charges such that the Regulated Transmission Revenue would not be likely, in the judgement of the Authority, to exceed the Maximum Regulatory Transmission Revenue in that next following Regulatory Tariff Year.
- 12.14. Not later than six weeks after the commencement of each Regulatory Tariff Year, the Licensee shall send to the Authority a statement as to:
- a) whether or not the provisions of:
- i. paragraph 12.12 are likely to be applicable in consequence of the Regulated Transmission Revenue in the preceding Regulatory Tariff Year; and/ or
- ii. paragraph 12.13 are likely to be applicable in consequence of the Regulated Transmission Revenue in the preceding 3 Regulatory Tariff Years; and
- b) the Licensee's best estimate as to the cumulative over- or under- recovery at the last day of the most recently ended Regulatory Tariff Year.
- 12.15. **Information to comply with Authority's Regulatory Instructions and Guidance (RIGs)**
- 12.16. The Licensee shall, furnish the Authority with any information required to comply with the Authority's RIGs, as may change from time to time.
- 12.17. The Licensee shall ensure that the RIGs information referred to at paragraph 12.16 includes estimations of the Licensee's confidence in that information and is certified by a relevant director.
- 12.18. The Licensee shall, publish on the Licensee's website, the information supplied in accordance with paragraph 12.16, subject to the minimum redactions considered necessary by the Authority to protect commercially sensitive information.
- 12.19. **Pension deficits**
- 12.20. The Licensee shall, furnish the Authority with relevant information regarding any pension deficits, splitting accordingly the historic deficit (assuming a cut-off date of 31 March 2012) and incremental deficit.
- 12.21. **Historical data used in the calculation of the Licensee's Maximum Regulated Transmission Revenue**
- 12.22. The Licensee shall, furnish the Authority with all historical data used to calculate the Maximum Regulated Transmission Revenue as set out in the formulas in this Annex.
- 12.23. The Licensee shall, **for the period from 1 April 2025, publish, on the Licensee's website the data referred to at 12.22.**
- 12.24. **Forecast network investment in the RP8 price control period**
- 12.25. The Licensee shall, **when requested, submit to the Authority the Licensee's estimate of the expected investments, volumes and projects for the RP8 price control period.**
- 12.26. **Information on pre-funded costs**
- 12.27. The Licensee shall, **when requested,** basis submit to the Authority an estimate of the pre-funded costs, being the network investments, volumes and projects required in periods after **31 March 2018** which can be attributed to the cancellation, reduction or deferral of any investments, volumes or projects that the Authority assumed as part of the cost assessment underpinning its Final Determination (the planned investments, volumes and projects).
- 12.28. The Licensee shall submit to the Authority, **when requested,** to supplement the information referred to at **paragraph 12.27,** reconciliations of the information referred to at paragraph 12.27 to the planned investments, volumes and projects specified in the Final Determination Paper.

12.29. **Information on the outturn RP7 investments, projects and volumes, and planned RP7 investments, projects and volumes**

12.30. The Licensee shall, on an annual basis, for the RP7 period, submit to the Authority:

- a) information on outturn investments, volumes and projects; and
- b) information on planned investments, volumes and projects.

12.31. The Licensee shall submit to the Authority, on an annual basis, to supplement the information referred to at paragraph 12.30, reconciliations of the information referred to at paragraph 12.30 to the planned investments, volumes and projects, specified in the Final Determination Paper.

12.32. **Reporting on the Licensee's ESQCR compliance**

12.33. The Licensee shall, report on the Licensee's ESQCR compliance, with additional details on the Licensee's patrolling activity, including a split of low voltage work into low voltage undereaves and low voltage overhead lines.

12.34. **Information on tax**

12.35. The Licensee shall, no later than 27 months after the end of each Regulatory Reporting Year, prepare and submit to the Authority an annual report, in a form to be approved by the Authority, setting out:

- a) audited tax reports that enable a full reconciliation between:
 - i. information submitted to HMRC on the Licensee's tax affairs; and
 - ii. information used for the calculation of the tax element of the Licensee's Maximum Regulated Transmission Revenue, as calculated at paragraph 9 of this Annex;
- b) information submitted to HMRC on the Licensee's tax affairs;
- c) information used for the calculation of the tax element of the Licensee's Maximum Regulated Transmission Revenue, as calculated at paragraph 9 of this Annex; and
- d) any retrospective adjustments in respect of previous years together with any restatement of 12.35.a), 12.35.b) and 12.35.c).

12.36. The Licensee shall, on an annual basis, publish on the Licensee's website the information supplied under 12.35.a) and, to the extent that it relates to information supplied under 12.35.a), under 12.35.d), subject to the minimum redactions, considered necessary by the Authority, to protect commercially sensitive information.

12.37. **The statutory accounts of any Related Party**

12.38. The Licensee shall, no later than 10 months after the end of each Regulatory Reporting Year, prepare and submit to the Authority the financial statements of any Related Party, for the Regulatory Reporting Year, with whom the Licensee has had a transaction in that Regulatory Reporting Year.

12.39. Annual Environment Report

12.40. The Licensee shall furnish the Authority with an Annual Environment Report for the preceding regulatory year to the same timescales as the RIGs information referred to in paragraph 12.16.

12.41. The Licensee shall publish on the Licensee's website, the information supplied in accordance with paragraph 12.40.

13. Excluded Services for purposes of Transmission Owner Business

13.1. There may be treated as Excluded Services provided by the Transmission Owner Business such services in respect of which charges are made which:

- a) do not fall within paragraph 13.2; and
- b) may (subject to paragraph 13.7) be determined by the Licensee as falling under one of the principles set out in paragraphs 13.3 to 13.5.

13.2. No service provided as part of the Transmission Owner Business shall be treated as an excluded service insofar as it relates to the provision of services remunerated under charges in accordance with Condition 22 including (without prejudice to the foregoing):

- a) the transport of electricity;
- b) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges) for the purpose of maintaining or upgrading the Licensee's transmission system;
- c) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the Licensee to comply with Conditions 19 and 26, the Electricity Supply Regulations (Northern Ireland) 1991 as amended by the Electricity Supply (Amendment) Regulations (Northern Ireland) 1993 or any regulations made under Article 32 of the Order or any other enactment relating to safety or standards applicable in respect of the Transmission Owner Business;
- d) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the grant of use of system.

13.3. The whole or an appropriate proportion (as the case may be) of the charges of the type described in paragraph 3 of Condition 22 and borne by any person as connection charges in respect of connections made after the grant of this Licence may be treated as Excluded Services.

13.4. There may be treated as an excluded service charge for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Article 12(2) of the Order) imposed on the Licensee.

13.5. There may be treated as an excluded service any service of a type not referred to above which:

- a) consists in the provision of services for the specific benefit of a third party requesting the same; and
- b) is not made available as a normal part of the Transmission Owner Business remunerated by Transmission Charges, including (without prejudice to the foregoing):

- i. special metering (including "time of day" metering) to facilitate energy saving programmes for the benefit of customers requesting the same;
- ii. prepayment metering equipment;
- iii. charges for moving mains, services or meters forming part of the Licensee's transmission system to accommodate extension, re-design or re-development of any premises on which the same are located or to which they are connected; and
- iv. the provision of electric lines and electrical plant (a) insofar as the same are required for the specific purpose of enabling the provision of top-up or standby or (b) to provide a higher degree of security than is required for the purposes of complying with Condition 19.

13.6. The Licensee shall following the end of each Regulatory Reporting Year furnish to the Authority, as being one of the items of Specified Information referred to in paragraph 12.3, details specifying separately the nature of all services provided as part of the Transmission Owner Business and treated as Excluded Services by the Licensee during the course of such year and stating the revenues derived in respect of each such service so treated.

13.7. Where the Authority is satisfied that it is reasonable in all the circumstances that any service treated by the Licensee as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect. Any such directions may, where a service is directed to be treated as an excluded service, contain such conditions as the Authority shall see fit in relation to the charges which the Licensee may make for such excluded service and the other terms and conditions upon which the Licensee may provide such excluded service. In accordance with the terms of such directions, such service shall cease to be treated as an excluded service with effect from the date of issue of such directions or such earlier date as may be specified in the directions.

14. Allowances in respect of security costs

- 14.1. At any time during a Fuel Security Event, the Authority may (having regard to its duties under the Energy Order) by means of directions:
- a) suspend or modify for the unexpired term of the Fuel Security Event the Transmission Charge Restriction Conditions or any part or parts thereof; or
 - b) introduce for the unexpired term of the Fuel Security Event new Transmission Charge Restriction Conditions,
- in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate to enable the Licensee to recover by means of appropriate equitable increases in the charges made in the course of the Transmission Owner Business an amount estimated as being equal to the Licensee's allowed transmission related security costs during such event, and the Licensee shall comply with the terms of any directions so issued.
- 14.2. Subject to paragraphs 14.3 and 14.5, the Licensee shall in any Regulatory Reporting Year be entitled to recover an aggregate amount equal to the Licensee's allowed transmission related security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the Licensee in the course of the Transmission Owner Business.
- 14.3. Paragraph 14.2 shall not apply insofar as such Licensee's allowed transmission related security costs:
- a) were otherwise recovered by the Licensee; or
 - b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 14.1.
- 14.4. The Licensee shall following the end of each Regulatory Reporting Year provide to the Authority details in respect of that Regulatory Reporting Year of:
- a) the aggregate amounts charged under paragraph 14.2 on account of the Licensee's allowed transmission related security costs; and
 - b) the bases and calculations underlying the increases in charges made by the Licensee in the course of the Transmission Owner Business under paragraph 14.2.
- 14.5. Where the Authority is satisfied that the Licensee has recovered amounts in excess of the Licensee's allowed transmission related security costs, the Authority may issue directions requiring the Licensee to take such steps as may be specified to reimburse customers of the Transmission Owner Business for the excess amounts charged to them, and the Licensee shall comply with any directions so issued.

- 14.6. No amounts charged by the Licensee under this paragraph 14 (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the transmission charge restriction provisions of paragraph 3.

15. Duration of the charge restriction conditions

15.1. Subject to the following paragraphs of this Annex, the Transmission Charge Restriction Conditions shall apply so long as the Licence continues in force.

15.2. The Transmission Charge Restriction Conditions outlined in paragraph 3.2 do not apply to tariff years from 1 October 2025 onwards. In the absence of modifications to those provisions, the licensee shall not be able to increase (in nominal terms) any of the tariffs or charges contributing to its Regulated Transmission Revenue above the levels applicable on 1 October 2024.

15.3. Disapplication

15.4. The Transmission Charge Restriction Conditions shall cease to have effect (in whole or in part, as the case may be) if the Licensee delivers to the Authority a request (a “Disapplication Request”) made in accordance with paragraph 15.6 and:

- a) the Authority agrees in writing to the request; or
- b) the application of this Annex (or any part of it) is terminated by a notice (a “Disapplication Notice”) given by the Licensee in accordance with paragraph 15.6.c) and not withdrawn.

15.5. Save where the Authority agrees otherwise, no disapplication following delivery of a Disapplication Request pursuant to paragraphs 15.4 to 15.10 shall have effect earlier than the date (the “Disapplication Date”) which is the later of:

- a) the date occurring 18 months after delivery of the Disapplication Request; and
- b) 31 March 2025.

15.6. A Disapplication Request pursuant to paragraphs 15.4 to 15.10 shall:

- a) be in writing addressed to the Authority;
- b) specify this Annex or any part of it to which the request relates (excluding in either case paragraphs 15.4 to 15.10); and
- c) state the date from which the Licensee wishes the Authority to agree that the Annex or specified part of it shall cease to have effect.

15.7. A Disapplication Notice pursuant to paragraphs 15.4 to 15.10:

- a) may be given in the circumstances described in either paragraph 15.8 or 15.9;
- b) may be withdrawn at any time prior to the Disapplication Date; and
- c) where it is given, shall:
 - i. be in writing addressed to the Authority;

- ii. specify this Annex or any part of it (which shall comprise only such part as was specified in the Disapplication Request) to which the notice relates; and

- iii. state the date from which the Licensee wishes the notice to take effect, which shall not be earlier than the Disapplication Date.

15.8. The circumstances described in this paragraph are that, by the beginning of the period of six months which will end with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under Article 14(8) of the Order to modify:

- a) this Annex (or any part of it) to which the request relates; or
- b) paragraphs 15.4 to 15.10, so as to remove the right of the Licensee to give to the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

15.9. The circumstances described in this paragraph are that:

- a) by no later than the beginning of the period of six months which will end with the Disapplication Date, the Authority has in response to the Disapplication Request published a decision of a type referred to in paragraph 15.8 above;
- b) the Licensee has exercised its right to appeal to the CMA against that decision in accordance with Article 14B of the Order;
- c) the CMA has, in respect of the provisions to which the Disapplication Request relates:
 - i. quashed the decision of the Authority under Article 14E(2)(a) of the Order; and
 - ii. neither remitted the matter back to the Authority under Article 14E(2)(b) of the Order nor substituted its own decision for that of the Authority under Article 14E(2)(c) of the Order; and
- d) no more than 30 days has elapsed since the date on which the CMA quashed the decision of the Authority.

15.10. A Disapplication Request or Disapplication Notice served under paragraphs 15.4 to 15.10 may be served in respect of a specified geographic area.

